

PROVINCE OF SASKATCHEWAN



2007

ANNUAL REPORT

PUBLIC EMPLOYEES DENTAL FUND



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## Letter of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart  
Lieutenant Governor of the Province of Saskatchewan  
Government House  
4607 Dewdney Avenue  
Regina, Saskatchewan  
S4P 3V7

Dear Sir:

### Letter of Transmittal

I have the honour to transmit herewith the seventeenth Annual Report of the Public Employees Dental Fund for the year ending December 31, 2007.

I have the honour to be, Sir,

Your obedient servant,

A handwritten signature in dark ink, appearing to read 'Rod Gantefer'.

Rod Gantefer  
Minister of Finance

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## Letter of Transmittal

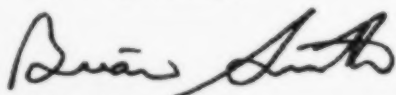
The Honourable Rod Gantefer  
Minister of Finance  
Regina, Saskatchewan

Sir:

### Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the seventeenth Annual Report of the Public Employees Dental Fund for the year ending December 31, 2007.

Respectfully submitted,



Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency

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## Public Employees Dental Fund

### Introduction

The Public Employees Dental Plan was established on February 1, 1982.

The intent of the Plan is to promote good dental health by reducing costs for preventive, routine and major restorative dental work.

Coverage is provided to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

Spouses and dependent children are also eligible for coverage under the Plan.

As at December 31, 2007 there were approximately 28,298 insured employees.

### Participating Employers

The following employers participate in The Government of Saskatchewan Public Employees Dental Plan:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)  
Cafeteria Board of Saskatchewan  
Chief Electoral Officer (Office of the)  
Children's Advocate (Office of the)  
Crown Investments Corporation of Saskatchewan  
Farm Land Security Board  
Horned Cattle Fund  
Information and Privacy Commissioner (Office of the)  
Information Services Corporation of Saskatchewan  
Leader of the Opposition (Office of the)  
Legislative Assembly Service  
Liquor and Gaming Authority  
Meewasin Valley Authority  
Milk Control Board  
NDP Caucus Office  
Ombudsman (Office of the)  
Power Greenhouses Inc.  
Prairie Diagnostic Services Inc.  
Provincial Auditor (Office of the)  
Rentalsman (Office of the)  
Sask Pork

Saskatchewan Archives Board  
Saskatchewan Arts Board  
Saskatchewan Assessment Management Agency  
Saskatchewan Centre of the Arts  
Saskatchewan Communications Network Corporation  
Saskatchewan Crop Insurance Corporation  
Saskatchewan Government Insurance  
Saskatchewan Human Rights Commission  
Saskatchewan Institute of Applied Science and Technology  
Saskatchewan Municipal Board  
Saskatchewan Party Caucus  
Saskatchewan Power Corporation  
Saskatchewan Telecommunications Holding Corporation  
Saskatchewan Transportation Company  
SaskEnergy Incorporated  
SecurTek Monitoring Solutions Inc.  
St. Louis Alcoholism Centre Board of Governors  
TransGas Limited  
Wakamow Valley Authority  
Wanuskewin Heritage Park Authority  
Wascana Centre Authority  
Western Development Museums  
Workers' Compensation Board (The)

The Government of Saskatchewan with respect to the following individuals:

Assistant Chief Electoral Officer  
Chief Electoral Officer  
Children's Advocate  
Conflict of Interest Commissioner  
Information and Privacy Commissioner  
Judges of the Provincial Court  
Legislative Assembly (Members of the)  
Members of the Public Service of Saskatchewan as defined by *The Public Service Act, 1998*  
Ombudsman  
Provincial Auditor  
Rentalsman  
Supervising justice of the peace, appointed under section 3 of *The Justices of the Peace Act, 1988*

### Administration

The Public Employees Dental Plan is self-insured and is managed by the Public Employees Benefits Agency, Saskatchewan Finance.

The Great-West Life Assurance Company is on contract under an Administrative Services Only agreement to provide claims adjudication and benefit payment services to the Plan.

### Funding

Funding for the Plan is totally employer paid as a percentage of gross salary. Effective April 1, 2003, premium funding was paid at a straight rate of 0.9% of gross salary.

Effective April 1, 2006, premium funding was paid at a straight rate of 1.4% of gross salary.

### Benefits

The Plan provides three levels of coverage as follows:

		<u>Reimbursement</u>
Level I	Preventive Services	100%
Level II	Basic & Routine Services	75%
Level III	Major Restorative Services	50%

Eligible dental expenses are reimbursed to a maximum of the fees outlined in the suggested fee guide issued by the College of Dental Surgeons of Saskatchewan.

Additional coverage for enhanced dental benefits has been provided for certain employer and union groups.

### Premiums/Claims Experience

	<u>Dec 31, 2007</u>	<u>Dec 31, 2006</u>
Premiums	\$28,341,487	\$21,512,380
Claims	\$20,361,726	\$18,812,052
# Claims Paid	104,516	90,000

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## Management's Report

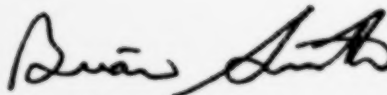
To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Dental Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Dental Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

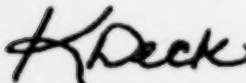
We enclose the financial statements of the Public Employees Dental Fund for the year ended December 31, 2007 and the Provincial Auditor's report on these financial statements.



Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency



Perry Bahr  
Director, Benefit Programs  
Public Employees Benefits Agency



Kathy Deck  
Director, Financial Services  
Public Employees Benefits Agency

Regina, Saskatchewan  
February 21, 2008



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## **Public Employees Dental Fund**

### **Financial Statements**

**Year Ended December 31, 2007**

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## Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees Dental Fund as at December 31, 2007 and the statements of operations and net assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Fred Wendel, CMA, CA  
Provincial Auditor

Regina, Saskatchewan  
February 21, 2008

**Public Employees Dental Fund  
Statement of Financial Position**

**Statement 1**

**As At December 31**

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Due from General Revenue Fund (Note 3)	\$ 3,748,510	\$3,983,296
Employer contributions receivable	1,771,044	1,985,641
Short-term investments (Note 4)	10,238,032	2,184,094
<b>Total Assets</b>	<b>\$15,757,586</b>	<b>\$8,153,031</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 107,511	\$ 102,103
Provision for unpaid claims (Note 8)	757,545	599,443
<b>Total Liabilities</b>	<b>865,056</b>	<b>701,546</b>
<b>NET ASSETS (STATEMENT 2)</b>	<b>14,892,530</b>	<b>7,451,485</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$15,757,586</b>	<b>\$8,153,031</b>

(See accompanying notes to the financial statements)

**Public Employees Dental Fund  
Statement of Operations and Net Assets**

**Statement 2**

Year Ended December 31

	<b>2007</b>		<b>2006</b>
	<b>Budget (Note 9)</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUE</b>			
Employer contributions	\$23,066,000	\$28,341,487	\$21,512,380
Interest (Notes 3 and 4)	212,000	425,804	172,336
	<u>23,278,000</u>	<u>28,767,291</u>	<u>21,684,716</u>
<b>EXPENSES</b>			
Claims incurred	20,610,000	20,361,728	18,812,052
Adjudication fees	863,000	740,622	845,850
Administration expenses (Note 5)	264,929	223,898	183,099
	<u>21,737,929</u>	<u>21,326,246</u>	<u>19,841,001</u>
Surplus for the year	1,540,071	7,441,045	1,843,715
NET ASSETS, BEGINNING OF YEAR	<u>7,451,485</u>	<u>7,451,485</u>	<u>5,607,770</u>
NET ASSETS, END OF YEAR (STATEMENT 1)	<u>\$ 8,991,556</u>	<u>\$14,892,530</u>	<u>\$ 7,451,485</u>

(See accompanying notes to the financial statements)

**Public Employees Dental Fund  
Statement of Cash Flows**

**Statement 3**

**Year Ended December 31**

	<b>2007</b>	<b>2006</b>
Cash flows from (used in) operating activities:		
Employer contributions received	\$ 28,556,085	\$ 20,273,112
Interest received	86,118	89,957
Claims paid	(20,203,624)	(18,967,408)
Administration expenses paid	(218,746)	(187,630)
Adjudication fees paid	(740,367)	(852,725)
	<u>7,479,466</u>	<u>355,306</u>
Cash flows from (used in) investing activities:		
Purchase of investments	(40,847,252)	(10,714,133)
Proceeds from disposal of investments	<u>33,133,000</u>	<u>12,010,000</u>
	<u>(7,714,252)</u>	<u>1,295,867</u>
Net (decrease) increase in cash	(234,786)	1,651,173
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	<u>3,983,296</u>	<u>2,332,123</u>
DUE FROM GENERAL REVENUE FUND, END OF YEAR	<u>\$ 3,748,510</u>	<u>\$ 3,983,296</u>

(See accompanying notes to the financial statements)

## **Public Employees Dental Fund Notes to the Financial Statements**

**December 31, 2007**

### **1. Description of the Fund**

The Public Employees Dental Fund (Dental Fund) is used to account for the transactions of the Public Employees Dental Plan (Plan). The Plan was established February 1, 1982 and continues under subsection 64(2) of *The Financial Administration Act*, 1993. The Plan is designed to promote good dental health among plan members by reducing the members' costs for preventive, routine and major dental services. The Plan consists of core and enhanced dental benefits.

The Plan is funded entirely by the employers who are members of the Plan. Employers consist of the Public Service of Saskatchewan as defined by the *Public Service Act*, and certain Saskatchewan crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

Participating employers pay for the core benefits by contributing a straight percentage of gross salary. The contribution rate for core benefits was changed from 0.9% to 1.4% effective April 1, 2006.

Enhanced dental benefits are provided to employees of certain participating employers. Each participating employer pays for any enhanced benefits it provides to its employees. Participating employers pay for these enhanced benefits by contributing a straight percentage of gross salary, a predetermined amount per employee, or lump-sum payments. These employers are responsible to ensure amounts contributed are sufficient to pay for the enhanced benefits and administration costs. If amounts contributed are not sufficient to pay for the enhanced benefits and administration costs, the employers must remit additional contributions. Where contributions exceed the enhanced benefits and administration costs, employers may seek a refund of surplus contributions by submitting a formal request to the Dental Fund. During the year, the Dental Fund received no such requests. At December 31, 2007, accumulated surplus of \$2,095,648 (2006 - \$177,353) relating to the enhanced benefits is included in net assets.

In order to fund the enhanced dental benefits for the Saskatchewan Government and General Employees' Union (SGEU) and the Canadian Union of Public Employees', Local 600-3 (CUPE), the Joint Board of Trustees of the Extended Health Care Plan (the Board) authorized PEBA to transfer adequate resources from the SGEU Benefit Plans' Surplus Fund and CUPE Benefit Plans' Surplus Fund. Accordingly, PEBA transferred \$700,000 (2006 - \$0) from the SGEU Benefit Plans' Surplus Fund and \$110,000 (2006 - \$86,861) from the CUPE Benefit Plans' Surplus Fund into the Dental Fund. In addition, the Board authorized that all revenue from the SGEU Benefit Plans' Surplus Fund be redirected to the Dental Fund for the period August 1, 2007 to December 31, 2007 which amounted to \$966,220 for the 2007 year.

The Public Employees Benefits Agency (PEBA) administers the Plan. Under an agreement with the Great-West Life Assurance Company, claims are adjudicated and processed for payment.

### **2. Significant Accounting Policies**

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

a) Employer Contributions

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Unpaid Claims

The provision for unpaid claims represents a provision for the cost of claims reported but not paid prior to year end and an estimate of claims incurred but not reported based upon past claims experience.

d) Accounts Payable and Accrued Liabilities

The estimate of adjudication expenses to be incurred on claims not yet paid is included in the provision for accounts payable. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes.

e) Use of Estimates

Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

f) Financial Instruments

Effective January 1, 2007, the Dental Fund adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 – Financial Instruments – Recognition and Measurement. Under these new standards, all financial assets and financial liabilities must be identified and classified. This classification determines how each financial instrument is measured. The Dental Fund's financial instruments and their classification are as follows:

<b>Financial Instrument</b>	<b>Classification</b>
Due from General Revenue Fund	Held for trading
Employer contributions receivable	Loans and receivables
Short-term investments	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities

Held for trading financial assets and liabilities are measured at fair value. Changes in the fair value are recognized in the Statement of Operations and Net Assets. For short-term investments, fair value is determined as cost plus accrued income. Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

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This change in accounting policy did not have a significant impact on the Dental Fund's financial statements at the time of adoption.

**g) Recent Accounting Pronouncements**

Effective January 1, 2008, the Dental Fund will be required to adopt CICA Handbook Sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Dental Fund is exposed, and how the risks are managed by the Dental Fund. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. The Dental Fund does not expect the adoption of these new standards to have a material impact on its financial statements.

**3. Due from General Revenue Fund**

The Dental Fund bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Dental Fund's interest income is calculated and paid by the General Revenue Fund on a quarterly basis into the Dental Fund's bank account using the Government's thirty-day borrowing rate, and the Dental Fund's average daily bank account balance. The Government's average thirty-day borrowing rate in 2007 was 4.26% (2006 – 3.95%).

**4. Short-term Investments**

The investments are comprised of bank notes and commercial paper. The outstanding investment at the end of 2007 had an effective interest rate of 4.90% (2006 – 4.29%) and a term to maturity of 11 days (2006 – 31 days). Investments are purchased through the Treasury and Debt Management Branch of the Ministry of Finance and are subject to their investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R1" as rated by a recognized credit rating service.

**5. Administration Expenses**

PEBA administers the Dental Fund for a mutually agreed upon fee. The Dental Fund pays these administration expenses on dates agreed to by PEBA. Included in accounts payable is \$16,586 (2006 - \$11,433) due to PEBA.

**6. Related Party Transactions**

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Dental Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). These transactions are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contribution receivables are from related parties.



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Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

**7. Financial Instruments Risks**

The Dental Fund is exposed to minimal credit risk from the potential non-payment of employer contributions receivable as these receivables are from government agencies and were collected shortly after year-end.

**8. Provision for Unpaid Claims**

The provision for unpaid claims includes claims that have been incurred but not yet reported at year end.

Management estimated the claims incurred but not reported at year end totaled \$716,050 (2006 - \$552,182). The establishment of the estimate for unpaid claims incurred but not yet reported relies on a number of factors which necessarily involves risks that the actual results may differ materially from the estimates in the near term. However, dental claims are short-tail claims and tend to be reasonably predictable.

In 2007, the Dental Fund paid \$567,215 related to claims incurred prior to December 31, 2006.

The fair value of claims incurred but not reported at year end has been omitted because it is not practicable to determine fair value with sufficient reliability.

**9. Budget**

PEBA approves the annual budget for the Dental Fund.

